

TESTIMONY OF TRAVERSE BAY MANUFACTURING FOR ACQUISITION ADVISORY PANEL

Traverse Bay Manufacturing, Inc. a family-owned business located in Northern Michigan was established in 1991. We have specialized in product development and apparel manufacturing services since 1994 and we are one of the few garment-manufacturing companies left in the United States. Our client base consisted of retailers such as L.L. Bean, Cabela's, Patagonia and Land's End. However, after the September 11 terrorist attacks our company suffered a severe decline in business. This, coupled with the competition of offshore labor costs, motivated us to search for other business opportunities and we eventually began assisting Peckham Industries with government contracts.

We became aware of Peckham Industries through Malden Mills our fabric supplier. Peckham was looking for a company to provide additional sewing capacity and we had experience sewing with the types of fabrics they were using to make their garments. In the fall of 2001, we began working with Peckham Industries, a CRP affiliated with NISH, building garments for the SPEAR Layering System that Peckham had a government contract to build.

By the fall of 2003, Traverse Bay Manufacturing was producing 12,000 sets per month of silkweight underwear tops and bottoms for Peckham Industries to assist them in fulfilling a government contract. In December 2003 Peckham's contract with the government had been extended to the end of 2006 and we were asked to increase our production volume to 20,000 sets of silkweight underwear per month. In January 2005, Peckham again asked us to increase our production to 50,000 sets per month. All of these increases were due to RFI (Rapid Fielding Initiative) requirements. Peckham Industries informed us that if we were not able to fulfill these volumes they would find another supplier.

In order to meet these requirements, and ultimately stay in business, Traverse Bay Manufacturing was compelled to hire more employees and purchase the capital equipment necessary for the job. In April of 2005, we had nearly 100 employees and were meeting Peckham's requirement of 50,000 sets per month. Due to the focus, attention and capacity required to meet this demand, Traverse Bay Manufacturing was unable to cultivate other business.

In May 2005, Peckham informed Traverse Bay Manufacturing that due to NISH regulations, we could no longer supply these garments and that our assistance on this specific contract would cease at the end of September

2005 although Peckham would continue to hold the government contract until May of 2006. Our assistance on this contract employs nearly 100 and provides employment opportunities in a HUB Zone area. Losing this work seriously jeopardizes the employment of these people.

Our goal throughout our relationship with Peckham Industries was and continues to become the prime on government contracts; however, there are two main barriers for us to overcome:

1. JWOD Procurement Process

Due to the JWOD (Javits, Wagner, ODay) Act, very few large apparel contracts ever make it to small business set-asides. JWOD has the power to pre-select the items on their procurement list that they feel they are capable of building. Therefore many large procurements are "picked over" before a pre-solicitation is generated and never make it down to the small business level. This effectively bans small business from government contracting for apparel. It is a well-known fact that the clothing manufacturing industry is perishing due to offshore labor rates and government apparel contracting is one of the few options available to small business garment manufacturers.

2. The ability for Small Business to assist with JWOD contracts

Currently it is extremely difficult, if not impossible, for small businesses to assist with JWOD/NISH contracts due to their internal regulations regarding percentage of handicap participation in the contract and the requirement that the status of the company that assists has to be a non-profit community rehabilitation program.

We would like to propose the following recommendations to lessen or eliminate these barriers:

1. Review the JWOD procurement process to make sure set-asides that are taken can actually be accomplished by their own internal regulations of a mix of 75%/25% disabled to non-disabled employees per contract and still be cost effective for the government. An independent committee that could make the discernment would do this.
2. Since the apparel industry itself should be classified as disadvantaged; adjust the percentage of required set-asides to allow more procurement to reach the small business level for apparel. The size of the procurements should also be taken into consideration.

3. Changes need to be made to allow easier small business participation in contracts awarded under JWOD. If a company that is awarded a JWOD contract deems it necessary to obtain assistance from small business in order to meet delivery requirements and the government still receives the best value and quality for the item, this assistance should be allowed.

In summary, in order for apparel manufacturers classified as small businesses to survive; the process of determining solicitation set-asides desperately needs to be evaluated in order to provide more bidding opportunities. Additionally, the barriers for small business assistance with contracts awarded to JWOD/NISH need to be removed or made easier to overcome.